

## Message Text

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PAGE 01 CARACA 03532 031453Z

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07 INT-05

L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03 SP-02

SS-15 STR-04 TRSE-00 FRB-03 /080 W

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R 031238Z APR 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 8120

INFO AMEMBASSY BOGOTA

AMEMBASSY BUENOS AIRES

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

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EO 11652: N/A

TAGS: ENRG VE

SUBJ: SALES OF VENEZUELAN OIL ON SPECIAL TERMS

REF: STATE 70431

1. ACCORDING TO CONTACT IN MINISTRY OF MINES AND HYDROCARBONS, WHO WOULD BE IN BEST POSITION TO KNOW, VENEZUELA IS NOT REPEAT NOT CONSIDERING SPECIAL FINANCIAL ARRANGEMENTS FOR PURCHASE OF OIL BY ANDEAN PACT COUNTRIES OTHER THAN THAT CONCLUDED WITH PERU.

2. NO AGREEMENT, IN PRINCIPLE OR FACT, HAS BEEN CONCLUDED FOR ARGENTINA TO PURCHASE VENEZUELAN OIL ON SPECIAL FINANCIAL TERMS. SAME SOURCE IMPLIED THAT VENEZUELA WAS APPALLED BY RECENT ARGENTINE MISSION REQUEST FOR \$600 MILLION CREDIT. SPECIFICALLY, ARGENTINA REQUESTED CREDIT TERMS FOR PURCHASE OF IRON ORE VALUED AT \$350 MILLION AND OIL VALUED AT \$250 MILLION. ASKED IF ARGENTINA

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PAGE 02 CARACA 03532 031453Z

DID NOT OFFER TO EXCHANGE GOODS FOR VENEZUELAN IRON ORE AND OIL,

SOURCE STATED THAT ARGENTINA DID NOT HAVE ANYTHING TO OFFER VENEZUELA. SOURCE SAID THAT ARGENTINE MISSION WAS UPSET THAT VENEZUELAN WERE NOT WILLING TO MEET REQUEST FOR CREDIT. THE ONLY RESULT OF THE VISIT WAS AN INNOCUOUS JOINT DECLARATION. IN REPLY TO QUESTION OF WHETHER PRESIDENT CARLOS ANDRES PEREZ WILL VISIT ARGENTINA IN NEAR FUTURE, SOURCE REPLIED THAT HE DID NOT BELIEVE PEREZ WILL GO NOW IN VIEW OF LACK OF SPECIFIC PURPOSE ON WHICH TO FOCUS TRIP.

3. THE NEXT PRIORITY AREA FOR SPECIAL OIL FINANCIAL ARRANGEMENTS, IF ANY FURTHER SUCH ARRANGEMENTS DO TAKE PLACE, WILL BE WITH CARIBBEAN COUNTRIES. THE GOV IS MOVING VERY SLOWLY, HOWEVER, TO IMPLEMENT AN ARRANGEMENT. THIS COULD INDICATE THAT A MUTUALLY ACCEPTABLE FORMULA BETWEEN VENEZUELA AND THE POTENTIAL CARIBBEAN RECIPIENTS OF A SPECIAL OIL CREDIT HAS NOT YET BEEN REACHED. THE ARRANGEMENTS WITH CENTRAL AMERICA AND PERU CLEARLY PROVIDE RECIPROCAL BENEFITS. BENEFITS THAT VENEZUELA MIGHT OBTAIN FROM CARIBBEAN COUNTRIES MIGHT NOT BE AS TANGIBLE.

4. VENEZUELA DOES NOT CONTEMPLATE DIVERTING OIL FROM TRADITIONAL MARKETS TO MEET NEW COMMITMENTS THAT MIGHT ARISE FROM SPECIAL OIL AGREEMENTS. CENTRAL AMERICA AND THE CARIBBEAN ARE TRADITIONAL MARKETS. EVEN PERU IS NOT CONSIDERED A NEW MARKET. ANY NEW ARRANGEMENTS THAT MIGHT ARISE AND BE ATTRACTIVE TO VENEZUELA COULD BE FULFILLED FROM OIL PRESENTLY SHUT IN DUE TO CURRENT WEAK DEMAND. VENEZUELA IS ALREADY BELOW ITS ORIGINALLY PROJECTED 2.6 MILLION B/D PRODUCTION UPON WHICH THE 1975 BUDGET WAS BASED. FURTHERMORE, UNTIL AFTER NATIONALIZATION WHEN THE GOV CAN LEGALLY SET ASIDE WHATEVER OIL IT NEEDS TO FULFILL SPECIAL DEALS, THE GOV DOES NOT HAVE OIL READILY AVAILABLE TO THE NATIONAL OIL COMPANY, CVP. AS MENTIONED IN PREVIOUS REPORTING, CVP WILL HAVE TO REOPEN A MARGINAL FIELD JUST TO MEET ITS NEW COMMITMENT TO PERU. IT IS UNLIKELY THAT THE GOV WILL CONSIDER ANY NEW SPECIAL OIL FINANCIAL ARRANGEMENTS UNTIL AFTER THE NATIONALIZATION PROCESS IS COMPLETED, AND EVEN THEN ONLY IF ITS SALES TO TRADITIONAL MARKETS CONTINUE TO ERODE.

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**To:** STATE  
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